

ANNUAL
REPORT

SG 
AUTO FUND

ur Profile

Stretching across our vast province are thousands of kilometres of open roads. They criss-cross the prairies and stretch into the north, connecting cities, small towns, and farms. They take Saskatchewan people where they want to go. But the open road can be a dangerous place to be.

SGI staff work hard to ensure the security and safety of Saskatchewan people on the open road. Every day of the year, we provide the best in programs and services to the province's drivers, at rates that are the lowest in the country. We test and licence drivers and register vehicles. We insure drivers and their passengers against injury and their vehicles against damage. And our safety programs help reduce injuries and fatalities on Saskatchewan's roads.

With SGI, the open road is a friendlier and safer place to be.

able of Contents

Board of Directors	2
Executive	3
Letter of Transmittal	4
President's Message	5
Our Role in Saskatchewan	6
Stronger Financial Picture	8
Our People Make It Happen	10
Top Quality Parts	11
We're Serious About Your Safety	12
We're Looking to the Future	14
Our Vision and Values	15
Responsibility for Financial Statements	16
Auditor's Report	17
Statement of Financial Position	18
Statement of Operations and Rate Stabilization Reserve	19
Statement of Changes in Financial Position	20
Notes to the Financial Statements	21

oard of Directors

Mr. Allan W. Wagar
Chairman
Regina

Honourable Grant Schmidt
Minister Responsible for
Saskatchewan Government
Insurance
Vice-Chairman

Mr. Arden E. B. Erman
Saskatoon

Mr. Eli L. Fluter
Regina

Mrs. Bonnie L. George
Wadena

Mr. James N. Goring
Biggar

Mr. Ted Henson
Saskatoon

Mr. Ron W. Jeffery
Weyburn

Mrs. Marjorie Jermyn
Regina

Mr. Donald R. Leier
Saskatoon

Mr. D. A. K. MacLean, Q.C.
Regina

Mr. George F. Shaw
Esterhazy

Mr. Ed Sulewski
Paddockwood

xecutive



Alex Wilde
President



Alan Cockman
Vice President
Claims



Larry Fogg
Vice President
Finance and
Administration



Grant Gibson
Vice President
Systems



Doug Kopp
Vice President
Underwriting



Bob Warren
Vice President
Motor Vehicle
Division

etter of Transmittal



Regina, Saskatchewan
March, 1990

To Her Honour,
The Honourable Sylvia Fedoruk,
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of the Auto Fund for the year ended December 31, 1989, including the financial statements in the form required by the Treasury Board and in accordance with the Automobile Accident Insurance Act.

I have the honour to be, Madam,

Your obedient Servant,

Grant Schmidt
Minister Responsible for
Saskatchewan Government Insurance

resident's Message

For the staff who administer the Auto Fund, safety and service are top priorities. They're dedicated to providing quality auto insurance, effective traffic safety programs, and excellent service to the people of Saskatchewan. I am proud of our achievements in 1989 towards realizing these goals.

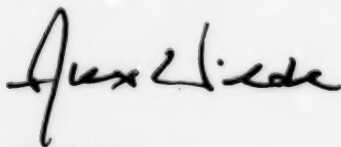
We saw positive results from our efforts to curb rising claims costs, improve the efficiency of our operations, and promote traffic safety. In 1989, we realized an operating surplus of \$25.5 million, a significant increase over 1988's \$8 million loss. A strong financial picture means that we can continue to offer Saskatchewan people basic protection at a reasonable cost.

In 1989, our commitment to excellent customer service meant developing new programs to increase our efficiency. We built new claims centres in Kindersley and Saskatoon and opened a new Salvage facility in Saskatoon, offering added convenience and state-of-the-art service for our customers.

Also in 1989, we received positive proof that our traffic safety programs are reaching the province's drivers. In June, Saskatchewan people set a North American record for seat belt use, and we had the fewest number of traffic fatalities since 1961. Contributing to the safety of Saskatchewan people through our traffic safety programs is one of our most valued goals.

An important event for me in 1989 was defining SGI's Corporate Vision and Values—our goals for the corporation and the principles we follow in our day-to-day work. As a result, our feeling of teamwork and our sense of purpose has never been stronger.

The dedication and determination of our staff is evident in our success in 1989. Our improved strength as we enter the 1990's promises a bright future for the Auto Fund and the people of Saskatchewan.



Alex Wilde
President

ur Role in Saskatch'ewan

The Saskatchewan government introduced the Automobile Accident Insurance Act in 1946, to ensure that everyone in the province receives basic vehicle insurance when they purchase their licence plates. SGI staff administer the program on behalf of the provincial government.

You know us best as the people who provide driver's licences and licence plates and pay auto claims, but we also offer a number of other programs and services. Our staff test and counsel drivers, develop vehicle equipment standards, oversee vehicle inspection programs, and research and implement traffic safety programs.

To help you with your needs, our staff are located throughout the province.

- Our Motor Vehicle Division (MVD) offices are located in Estevan, Moose Jaw, North Battleford, Prince Albert, Regina, Saskatoon and Swift Current.
- Our staff in 12 driver examination offices serve people in 80 locations in the province.
- We work in 16 claims centres in 13 Saskatchewan towns and cities.
- Staff on our toll-free Inquiry Line answer more than 500,000 telephone calls from the public and issuers throughout Saskatchewan each year.

We serve 625,000 registered drivers who own some 808,000 vehicles in the province.

e're Keeping Your Rates Down

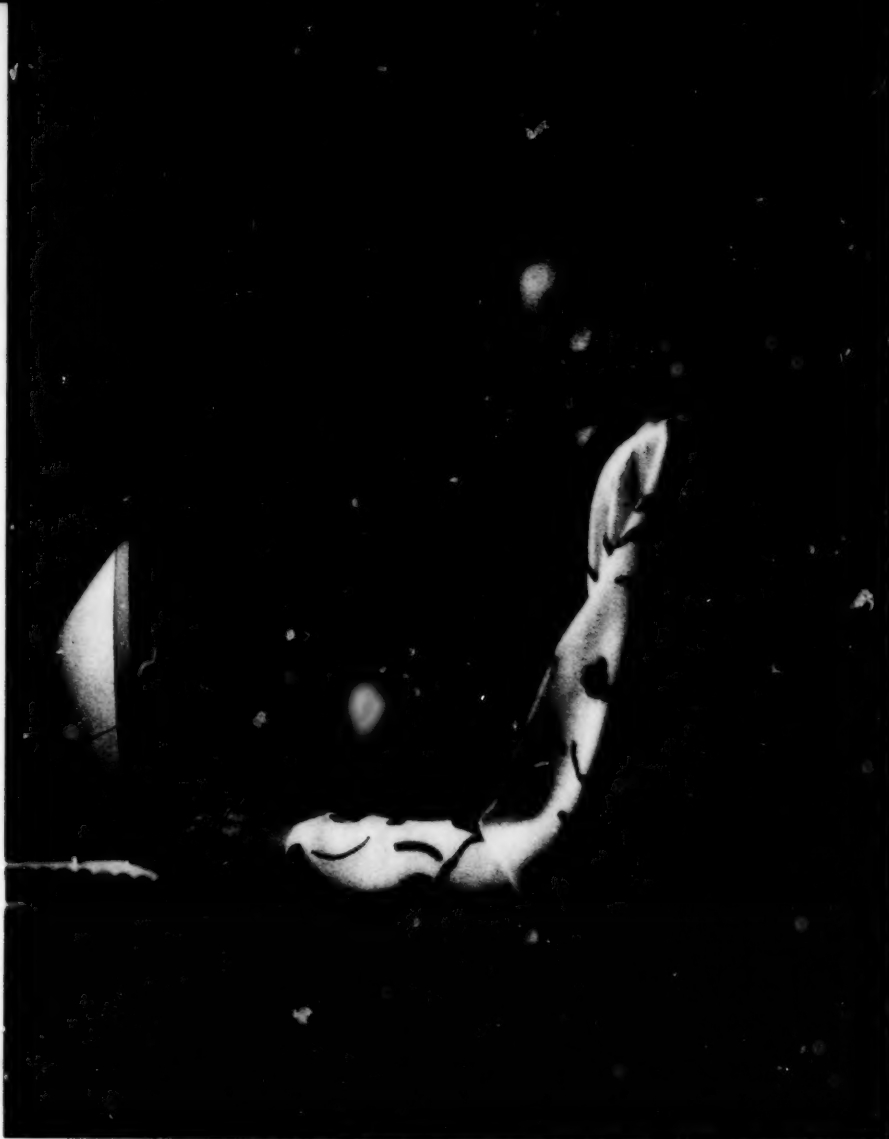
On average, Saskatchewan auto insurance rates are the lowest in Canada. Keeping your rates down is an important part of the service we provide.

In 1989, administrative efficiency and strong management kept the increase in licence plate insurance rates down to an average of four per cent. The small increase helped combat rising vehicle repair costs which can drive up rates. A vehicle doesn't become cheaper to repair, even as it ages.



(Graph shows the effect of rate changes on a 1980 insurance premium of \$250.)

MVD's Inquiry Centre staff answer more than 500,000 telephone calls from the public and issues each year. Licence issuer Susan Marchi can get information quickly by computer, on topics such as vehicle insurance, registration and driver's licence fees.



Most Saskatchewan drivers are good drivers, and we want to keep their rates as low as possible. In 1989, we increased accident surcharges for people who are at fault in two or more vehicle accidents in three years. Now, these "high-risk" drivers assume more of the costs they bring to the Auto Fund, reducing costs for accident-free drivers.

The cost of bodily injury liability claims in 1989 was significantly lower than in 1988. Better management of these claims helps keep your rates down. For the past several years, bodily injury claims costs have escalated rapidly across Canada. The staff in our Bodily Injury Unit, formed in 1987, have helped control these costs, while offering fair settlements to claimants.

Our rates for collision coverage are based on the cost of claims and repairs for each make and model of vehicle. Saskatchewan was the first province to adopt a system of calculating rates that doesn't rely on age, sex or marital status. Other provinces have since followed our lead in implementing a fair and non-discriminatory system.

Stronger Financial Picture

Because of the measures that help keep our rates low, and safer driving habits of Saskatchewan people, the Auto Fund's financial performance has improved dramatically. In 1989, we realized an operating surplus of \$25.5 million. That's a remarkable improvement over 1988's \$8 million loss. Claims incurred in 1989 dropped to \$212 million from \$224.1 million in 1988.

Our operating surplus increased the Rate Stabilization Reserve to \$20.6 million. A strong Reserve protects Saskatchewan people from rising rates when claims costs increase.



What We Do For You

SGI's Motor Vehicle Division staff register all drivers and vehicles in the province. When you pay for your licence plates, you get the following insurance coverage:

- you and your passengers are covered for *Injury Benefits*. Accident victims or their dependants are paid medical expenses, weekly disability compensation, and compensation for permanent disability and/or death.
- you get *Collision and Comprehensive Coverage* for damage to your vehicle caused by collision or by other perils such as hail, fire and theft, subject to a deductible.
- you receive *Liability Coverage* to meet your legal responsibility to pay for bodily injury to others, the vehicle deductible of the innocent party, and any damaged property.



Driver Examiner Marcia Stalicky conducts vision, written and road tests for drivers in Regina and district. Our Driver Examiners serve more than 80 locations in the province.

Appraiser Duane Carpenter sizes up the damage to a vehicle at the Regina Commercial Claims Centre. Using a sophisticated computerized appraisal system, Duane can accurately and fairly determine the repair cost.



MVD staff also test drivers, and conduct interviews to help those with poor driving records improve their driving skills.

If you have an auto claim, we'll make your claims experience as hassle-free as we can. With our convenient Dial-A-Claim service, you can report the damage over the phone and make an appointment with one of our adjusters, who will assess the damage to your vehicle. He or she will help you through your claim and get you back on the road as quickly as possible.

The true test of our service and efficiency comes with the wind and hail storms so common on the prairies. When major storms hit Cutknife, Moose Jaw and Peebles in the summer of 1989, our Claims staff handled more than 4,500 claims. They worked extra hours, postponing their holidays and helping out where they were needed. In many cases, they authorized payment on the spot so claimants could repair their vehicles right away and get back to their routines.



Licence Issuer Elaine Bryant is ready to help customers with their driver's licence and vehicle registration forms. Elaine and issuers around the province register all drivers and vehicles in Saskatchewan.

Our People Make It Happen

Our staff have an ongoing commitment to service excellence. In 1989, we developed and implemented new programs to make our services even more efficient and convenient for you.

We simplified the driver licence application forms so application, cancellation and change of information can be done on the same form: a time-saver for the public and our issuers. We also implemented a "single batch program" in 1989, so issuers can record vehicle, driver, permit and all other transactions on a single report, rather than on separate reports. For our issuers, staff, and customers, that means increased speed and efficiency in processing documents and refunds.

In 1989, we worked on projects that will be implemented in 1990. Our staff developed new licence plate stickers, which will keep our costs down and ensure that our current licence plate series will last many years into the future. Staff also worked on the design and distribution system for our new photo driver's licences, which will be introduced in 1990.

At Your Service

We couldn't provide the high level of service that Saskatchewan people are used to without the cooperation of issuers around the province. More than 500 issuers in 370 communities bring our services to you.

The Issuer Advisory Council, established in 1988, brings together six members of SGI's management team and 13 issuers from around the province. With the help and advice of this group, we've made decisions which have increased efficiency and enhanced customer service. Our working relationship with the issuers is stronger than ever.

ou Get Top-Quality Parts and Service from Salvage

Our Salvage staff specialize in top-quality, reconditioned auto parts and efficient service, delivered with your convenience in mind. Our centres in Moose Jaw, North Battleford, Regina, Saskatoon and Yorkton are linked by a modern computer network so parts can be located anywhere in the province. In 1989, we opened a new Salvage centre in Saskatoon, offering the public added convenience and state-of-the-art facilities.

In 1989, Salvage recorded a record profit, contributing \$2.5 million to the Rate Stabilization Reserve. We also achieved record parts sales and production levels. The money earned by Salvage stays in the Auto Fund, and helps keep your insurance premiums low.



Salvage Partsperson Gerry Olson has all the reconditioned auto parts you need, at less than half the price of new parts. Our five Salvage centres, including the new Saskatoon Salvage centre where Gerry works, carry an inventory of more than 60,000 parts.

e're Serious About Your Safety

We're serious about our commitment to traffic safety in Saskatchewan. Your safety begins with awareness of safety issues, so in 1989 we stepped up our public awareness program. News releases, our new quarterly newsletter *Lifelines*, and monthly traffic safety editorials distributed to Saskatchewan newspapers, all help us reach the people of Saskatchewan with our safety messages.

Our carefully-designed advertising campaigns also help get our message across to the public. Working with police departments and safety organizations across the province, we pinpoint safety concerns and address them in our ads. We also provide substantial funding for the Saskatchewan Safety Council every year. In 1989, we helped the Safety Council bring their two crash "dummies," Vince and Larry, to life. With their humorous approach to the serious issue of seat belt use, Vince and Larry taught hundreds of children around the province that buckling up is a smart thing to do.

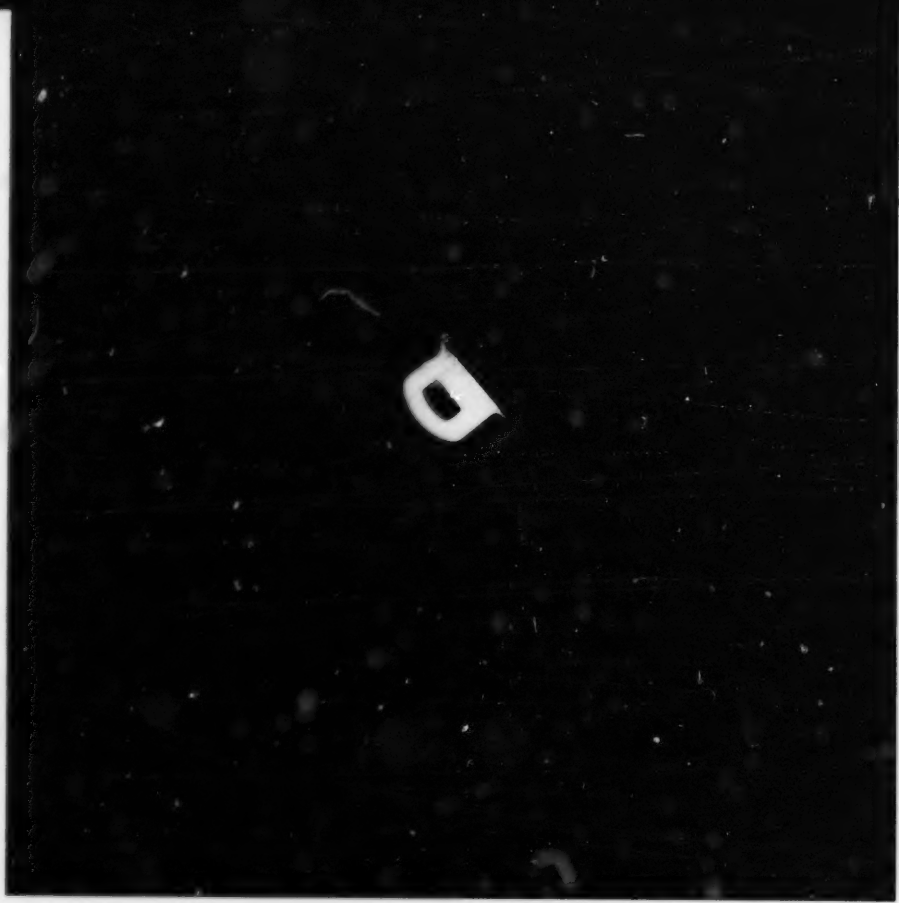
We began our five-year seat belt awareness campaign in 1988 to encourage people to buckle up when they drive. In 1989, Saskatchewan people showed that they believe in the importance of seat belts. In June, our province's drivers set a North American record for seat belt use: 88 per cent of drivers wore their seat belts when they drove.



Saskatchewan Seat Belt Usage Rates for Drivers
Source: Transport Canada and UCAL Management

Not only are Saskatchewan drivers buckling up, but they're also "seeing the light": driving with your lights on during the day can reduce your chances of being in an accident by up to 25 per cent. In 1989, an MVD study showed that more people than ever are driving with their lights on during the day: 72 per cent of vehicles on the highway had their lights on, up from the 1985 record of 66 per cent. In cities and towns, the number of drivers using daytime running lights also increased, to 44 per cent.

*More and more
Saskatchewan people
buckle up when they drive.
In June, 1989, we set a
North American record for
seat belt use: 86 per cent
of drivers wore their seat
belts when they drove.*



In 1989, we increased our efforts to address a safety problem that really hits home: drinking and driving during the holidays. We expanded on the success of a program we began in 1988, called "This New Year's Eve, The Ride's On Us!" In conjunction with transit systems in Regina, Saskatoon, Moose Jaw and Prince Albert, we rented city buses and offered free rides on New Year's Eve. For people who would rather hop the bus than drink and drive, it was a great way to ring in the New Year! More than 7,000 people rode the bus in Saskatoon, 4,500 people in Regina. Programs such as this ensure that holidays, and every day of the year, are safe and enjoyable.

The bottom line in traffic safety is saving lives. In 1989, Saskatchewan had the fewest traffic fatalities since 1961. As well, the number of alcohol-related accidents dropped for the second straight year, down by 15 per cent in 1989.

Promoting traffic safety and reducing the number of people who are killed or injured in Saskatchewan is one of our primary concerns.

e're Looking to the Future

At SGI, we are committed to excellence, and we believe that we succeed by helping our customers...the people of Saskatchewan.

Our commitment to excellence takes many forms. We've continued to expand our training programs: hundreds of staff each year benefit from our in-house training programs and from other seminars and courses. Groups such as the Issuer Advisory Council help maintain the lines of communication between our staff and the business people we work with.

In 1990, new programs and services will be available to you that will increase the efficiency with which we deliver our programs. We plan to open a traffic safety resource centre in Regina, compiling information on all aspects of traffic safety for use by the public, schools and safety organizations. Also, new claims centres will open in Kindersley and Saskatoon.



ur Vision and Values

To reach the high standards that we've set for ourselves, we must have a strategy. In 1989, we identified the goals of the corporation and the principles and plans that will help us achieve those goals. These are our Corporate Vision and Values, beliefs that staff throughout our corporation share and work towards.

Our Vision and Values are characterized by our primary objective: to serve Saskatchewan people. That is our mandate now, and will continue to be our goal for the future.

Our Vision

To provide quality compulsory auto insurance and related services to Saskatchewan people, in a manner which:

- is responsive to, and valued by, its stakeholders;
- is customer-oriented, innovative, and emphasizes excellence;
- is efficient, cost-effective, and financially stable; and
- contributes to the growth, diversification, and economic strength of the province.

Our Values

We succeed by helping our customers.

We are committed to excellence.

We conduct our affairs with integrity and in accordance with responsible business principles.

We communicate openly and encourage teamwork, innovation and risk-taking.

We believe in mutually beneficial business relationships.

Our employees are critical to our success.

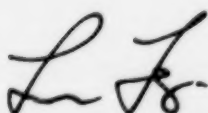
We contribute to the economic and social well-being of the province and communities in which we operate.

Responsibility for Financial Statements

The financial statements of the Saskatchewan Auto Fund have been prepared by the management of Saskatchewan Government Insurance as administrator of the Fund in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance. The independent auditors have performed an audit of the Fund which has enabled them to express their opinion on the financial statements of the Saskatchewan Auto Fund. This opinion is shown on page 17.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Saskatchewan Auto Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee, composed of members of the Board of Directors of Saskatchewan Government Insurance, administrator of the Fund, meets periodically with financial officers of the corporation and the independent auditors. These independent auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.



Larry Fogg
Vice President
Finance and Administration
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

Auditor's Report

February 23, 1990

To the Members of the Legislative Assembly
Province of Saskatchewan:

We have examined the statement of financial position of the Saskatchewan Auto Fund as at December 31, 1989 and the statements of operations and rate stabilization reserve and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of recognizing premiums earned as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants
Regina, Saskatchewan

Statement of Financial Position

December 31

1989

1988

(Thousands of \$)

Assets

Cash and Investments Maturing		
Within One Year	\$ 67,051	\$ 66,717
Accounts Receivable	13,392	11,685
Deferred Policy Acquisition Costs	5,737	4,855
Prepaid Expenses and Inventories	1,480	1,884
Long-Term Investments (Note 4)	278,483	246,145
Net Investment in Capital Lease (Note 5)	8,734	8,847
Property and Equipment (Note 6)	21,947	21,003
	<u>\$396,824</u>	<u>\$361,136</u>

Liabilities

Accounts Payable and Accrued Charges	\$ 5,506	\$ 6,854
Premium Taxes Payable	9,721	9,164
Provision for Unpaid Claims (Note 7)	249,214	244,543
Unearned Premiums	111,800	105,469
	<u>376,241</u>	<u>366,030</u>
Rate Stabilization Reserve (Deficit)	<u>20,583</u>	<u>(4,894)</u>
	<u>\$396,824</u>	<u>\$361,136</u>

(See accompanying notes)

S tatement of Operations and Rate Stabilization Reserve

Year Ended December 31	<u>1989</u>	<u>1988</u>
	(Thousands of \$)	
Premiums Written	<u>\$243,016</u>	<u>\$229,091</u>
Premiums Earned	\$236,411	\$218,167
Investment Earnings (Note 8)	35,696	31,022
Other Income (Note 9)	<u>2,366</u>	<u>2,397</u>
Total Revenue	<u>274,473</u>	<u>251,586</u>
Claims Incurred	212,023	224,101
Issuer Fees	4,888	4,850
Premium Taxes	9,456	8,731
Administrative Expenses	<u>22,629</u>	<u>21,875</u>
Total Claims and Expenses	<u>248,996</u>	<u>259,557</u>
Net Increase (Decrease) to Rate Stabilization Reserve	<u>25,477</u>	<u>(7,971)</u>
Rate Stabilization Reserve:		
Balance Beginning of Year		
As Previously Reported	3,685	3,077
Effect of Change in Accounting Policy (Note 2)	<u>(8,579)</u>	<u>—</u>
As Restated	<u>(4,894)</u>	<u>3,077</u>
Balance End of Year	<u>\$ 20,583</u>	<u>\$ (4,894)</u>

(See accompanying notes)

S tatement of Changes in Financial Position

Year Ended December 31	1989	1988
	(Thousands of \$)	
Operating Activities		
Net Increase (Decrease) to Rate Stabilization Reserve	\$ 25,477	\$ (7,971)
Depreciation and Amortization	1,797	1,757
Realized Gains on Disposal of Investments and Property and Equipment	(1,973)	(494)
	25,301	(6,708)
(Increase) Decrease in Deferred Policy Acquisition Costs	(882)	386
(Increase) Decrease in Accounts Receivable	(1,707)	1,177
(Increase) Decrease in Prepaid Expenses and Inventories	404	(402)
Increase in Provision for Unpaid Claims	4,671	29,432
Increase in Unearned Premiums	6,331	9,620
Increase (Decrease) in Accounts Payable and Accrued Charges	(1,348)	1,769
Increase in Premium Taxes Payable	557	1,055
Cash Provided By Operating Activities	33,327	36,329
Investing Activities		
Long-Term Investments —Purchases	(104,345)	(84,717)
—Proceeds on Sale	73,584	65,258
Capital Lease Repayment	113	102
Property and Equipment —Purchases	(2,764)	(1,245)
—Proceeds on Disposal	419	177
Cash Used For Investing Activities	(32,993)	(20,425)
Increase in Cash and Investments Maturing Within One Year	334	15,904
Cash and Investments Maturing Within One Year:		
Balance Beginning of Year	66,717	50,813
Balance End of Year	\$ 67,051	\$ 66,717

(See accompanying notes)

Notes to the Financial Statements

December 31, 1989

1. Significant Accounting Policies

The Fund's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Premiums

Premiums written are taken into income over the terms of the related policies. Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Deferred Policy Acquisition Costs

Premium taxes are deferred and then charged to expense on the same basis as premiums written are taken into income. Issuer fees for vehicle transactions are deferred and then charged to expense over the terms of the insurance policies to which such costs relate.

Investments

Bonds, debentures and mortgages are recorded at amortized cost. Shares are recorded at cost. Investments are written down when there is a decline in value that is other than temporary.

Investment Earnings

Interest is recorded as income on the accrual basis. Dividends are recorded as income on the record date. Gains and losses realized on the disposal of investments are recognized in income on the date of sale.

Provision for Unpaid Claims

The provision for unpaid claims includes the estimated cost to the Fund of reported claims, an estimate based on the claims settlement experience of the Fund of the cost of claims incurred but not reported, and an estimate of adjustment expenses to be incurred on the settlement of these claims.

Long-term disability entitlements are recorded on a discounted basis to take account of the time value of money.

Capital Lease

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

Property and Equipment

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over the estimated useful lives of the fixed assets as follows:

Buildings	2½ — 5%
Equipment	20%

Foreign Currency Translation

Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date.

Administrative and Claims Adjusting Expenses

Saskatchewan Government Insurance (SGI) as administrator of the Saskatchewan Auto Fund provides certain services to both the Fund and SGI. The administrative and claims adjusting expenses relating to these services are charged to the Fund and SGI on the basis of specific allocations.

Direct administrative expenses are charged directly to the Fund's operations.

2. Change in Accounting Policy

The Fund has retroactively adopted the accounting policy of taking the full amount of the premiums written into income over the terms of the related policies. Previously, a portion of premiums in the amount of \$25 per insurance policy was reported as earned immediately for all vehicle policies with a post 1987 effective date. The remainder of the premium was taken into income over the terms of the related policies.

The effects of the change are as follows:

	(Thousands of \$)	
	1989	1988
Statement of Operations		
Decrease to Premiums Earned	57	8,936
Decrease to Premium Taxes	2	357
Net Decrease to Rate Stabilization Reserve	55	8,579

Assets and liabilities increased by \$357,000 and \$8,936,000 respectively and the Rate Stabilization Reserve decreased by \$8,579,000 as at December 31, 1988.

3. Status of the Fund

The Saskatchewan Auto Fund was established effective January 1, 1984 by an amendment to the Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan 1978).

The accumulated earnings of the Saskatchewan Auto Fund in the Rate Stabilization Reserve are for the future benefit of Saskatchewan's motoring public and cannot be used for the payment of general dividends.

4. Long-Term Investments

The components of the Fund's long-term investments are as follows:

	(Thousands of \$)			
	1989		1988	
	Book Value	Market Value	Book Value	Market Value
Bonds and Debentures	\$192,951	\$194,326	\$194,020	\$193,864
Mortgages	13,824	13,879	14,127	14,316
Shares and Convertible Bonds	71,708	80,432	37,998	38,247
Total Long-Term Investments	<u>\$278,483</u>	<u>\$288,637</u>	<u>\$246,145</u>	<u>\$246,427</u>

5. Net Investment in Capital Lease

The Fund, as lessor, has a 63 per cent interest in a lease agreement with a Government department for a term of thirty years (twenty-one years remaining) on property in Prince Albert, Saskatchewan. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee.

The Fund's net investment in capital lease includes the following:

	(Thousands of \$)	
	1989	1988
Total Minimum Lease Payments Receivable (\$995,000 per year)	\$21,138	\$22,133
Unearned Income	(12,404)	(13,286)
Net Investment in Capital Lease	<u>\$ 8,734</u>	<u>\$ 8,847</u>

6. Property and Equipment

The components of the Fund's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

	(Thousands of \$)			
	1989		1988	
	Cost	Accum. Depr.	Net Book Value	Net Book Value
Land and Improvements	\$ 3,907	\$ —	\$ 3,907	\$ 3,727
Buildings	20,863	4,678	16,185	15,003
Equipment	5,965	4,110	1,855	2,273
Total	<u>\$30,735</u>	<u>\$8,788</u>	<u>\$21,947</u>	<u>\$21,003</u>

7. Discounted Claims Reserves

Included in the provision for unpaid claims are discounted reserves for long-term disability entitlements in the amount of \$13,121,000 (1988 - \$12,440,000). These reserves have been discounted at 7 per cent to take account of the time value of money.

8. Investment Earnings

The components of investment earnings are as follows:

	(Thousands of \$)	
	1989	1988
Interest and Dividends	\$32,811	\$29,762
Realized Gains on Sale of Investments	2,003	367
Income from Capital Lease	882	893
Total Investment Earnings	<u>\$35,696</u>	<u>\$31,022</u>

9. Salvage Division

The Fund operates a salvage division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claims settlement process. In 1989, total salvage sales were \$12,487,000 (1988 - \$12,027,000); gross earnings on sales were \$5,118,000 (1988 - \$4,717,000); and net earnings were \$2,473,000 (1988 - \$2,313,000). The net earnings of the salvage division are included in other income.

10. Related-Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the Fund is related.

Account balances resulting from these transactions are included in the Statement of Financial Position, and are settled on normal trade terms. Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

11. Comparative Financial Information

For comparative purposes, certain 1988 balances have been reclassified to conform with the 1989 financial statement presentation.